

ACCOUNTANCY EXAMINING BOARD[193A]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board hereby proposes to amend Chapter 1, “Definitions,” Iowa Administrative Code.

As part of the Auditing Standards Board’s Clarity Project, guidance on the examination of financial controls at a service organization previously contained in Statement on Auditing Standard (SAS) No. 70 has been replaced by Statement on Standards for Attestation Engagements (SSAE) No. 16. SSAE No. 16 was released in April 2010 and is effective for service auditors’ reports for periods ending on or after June 15, 2011. The Auditing Standards Board has characterized the change as a carefully considered step in reorganizing standards for clarity and convergence with international standards and utility.

In Iowa, this change has the unintended effect of reclassifying service audits (of such entities as investment advisors and data centers) from “attest” services that must be performed by a certified public accountant (CPA) within a CPA firm to nonattest services that may be performed by anyone. Service audits are crucial services and should be performed by licensed professionals guided by the highest standards of professional ethics and competence. Public protection could be substantially weakened in Iowa if the Board does not take steps to ensure that service audits, including the reporting on internal controls of service organizations, continue to be treated as attest services.

The unintended effect will occur in Iowa based on the wording of Iowa Code section 542.3(1)“a”(1) and (3). Currently, service audits are completed in accordance with SAS No. 70, as provided in Iowa Code section 542.3(1)“a”(1). The Auditing Standards Board change will move service audits so that they will be completed in accordance with SSAE No. 16, which is the standard applicable in Iowa Code section 542.3(1)“a”(3). Iowa Code section 542.3(1)“a”(3), however, refers to “prospective” financial information. Service audits on the internal controls of service organizations focus on existing and prior information, not “prospective” information. Now that this issue has been brought to the Board’s attention, the Board may take steps to address the issue. In the longer term, the Board may pursue legislation to ensure Iowa CPAs and service organizations are subject to the same standards as will be applicable across the nation.

Consideration will be given to all written suggestions or comments on the proposed amendment received on or before May 24, 2011. Such written materials should be sent to Jodi Adams, Professional Licensing Bureau, 1920 SE Hulsizer Road, Ankeny, Iowa 50121; fax (515)281-7387; E-mail jodi.adams@iowa.gov.

This amendment was also Adopted and Filed Emergency and is published herein as **ARC 9483B**. The content of that submission is incorporated by reference.

After analysis and review of this rule making, no impact on jobs has been found.

This amendment is intended to implement Iowa Code chapters 17A, 272C, 542, and 546.